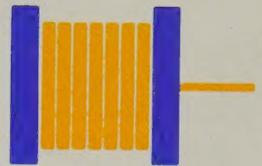


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INDUSTRIAL WIRE & CABLE CO. LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED MARCH 31, 1968

V. F. Stevens

Directors

R. M. BARFORD *President, General Steel Wares Ltd.*
C. P. CLARE *President, C. P. Clare & Co.*
P. M. FORAND *President, Forano Ltd.*
A. D. RUSSEL *President, Hugh Russel & Sons Ltd.*
J. G. TORRANCE *Wahn, Mayer, Smith, Creber, Lyons, Torrance & Stevenson*
G. D. ZIMMERMAN *President*

Officers

PRESIDENT *G. D. Zimmerman (P.Eng.)*
SECRETARY-TREASURER *D. C. Cleland (BA. CA)*
COMPTROLLER *C. D. Jellett (CA)*

Auditors

PRICE WATERHOUSE & CO. *Toronto, Ontario*

Solicitors

WAHN, MAYER, SMITH, CREBER,
LYONS, TORRANCE & STEVENSON *Toronto, Ontario*

Transfer Agent

GUARANTY TRUST CO. OF CANADA *Toronto, Ontario*

Stock Listing

TORONTO STOCK EXCHANGE

COVER: Vertical ram teflon extruder. One of the many fully instrumented modern pieces of equipment installed at Ni-Sil Cables Limited, producing specialty electrical conductors for the aeronautics and electronics industry.

FINANCIAL HIGHLIGHTS

	1968	1967
SALES (Net)	\$22,613,395	\$20,590,166
Net Earnings Before Tax	\$ 663,409	\$ 1,950,246
Per Share	\$ 0.39	\$ 1.15
Net Earnings After Tax	\$ 304,409	\$ 1,185,246
Per Share	\$ 0.18	\$ 0.70
Capital Expenditures for Plant and Equipment	\$ 1,946,235	\$ 1,347,544
Working Capital	\$ 2,131,107	\$ 2,430,351
Deferred Income Taxes	\$ 630,000	\$ 563,000
Per Share	\$ 0.37	\$ 0.33
Shareholders' Equity	\$ 4,740,953	\$ 4,420,548
Per Share	\$ 2.76	\$ 2.60

REPORT TO SHAREHOLDERS

The past year was gratifying in many respects but it also had its disappointments. Earnings declined substantially, a reflection of sudden and adverse developments in our markets. On the other hand, the year was one of major accomplishment, in that record sales were achieved. In addition Ni-Sil Cables Limited came into production, the Foundry Division was relocated in modern facilities; high capacity forge equipment was added to our Lachine operations and a high voltage test laboratory was installed in our Etobicoke cable works. Expenditures for research and development were at an all-time high, resulting in initial orders on several new products, e.g. x-link cables, patented transmission devices and special coaxial cables.

FINANCIAL

Sales for the year reached a new high of \$22,613,000. The best performance was achieved in export sales which ran 250% higher than any prior year. Export sales in 1967 represented approximately 5% of our total while this year the percentage was in excess of 13%.

Earnings from operations before taxes for the year amounted to \$663,000 as compared with \$1,950,000 last year. After tax earnings amounted to \$304,000 or approximately 18¢ per share compared with \$1,185,000 or 70¢ per share in the prior year.

WIRE OPERATIONS

During the year we experienced wide swings in market demand for wire products and the cost of raw materials. Unsettled conditions in international markets, together with the longest U.S. copper strike in history, gave rise to very unstable conditions. At times during the year Canadian fabricators enjoyed an advantage in the price of copper. This reversed itself dramatically at the conclusion of the U.S. strike in March, and at this moment Canadian copper is the highest priced in North America, if not the world. The domestic demand for cable products was lower and profit margins declined throughout the year. High interest rates and credit restrictions curtailed capital expenditure programmes by utilities and private interests, combining to produce the slackest construction period in Canada in many years. By contrast, our export sales improved greatly during the year, aided by favourable copper prices during part of the year and Canada's position as an assured source of supply.

LACAL INDUSTRIES OPERATIONS

Lacal operated at a loss throughout the year which was disappointing when compared with the contribution made to the consolidation last year. This sharp reversal in performance was the result of several factors, the most important of which were lower sales and prices. This was a reflection of the deferred construction programmes of several major power utilities and keener competition.

A portion of Lacal's losses was due to non-recurring expenses associated with the relocation and start-up of the Foundry Division. In addition we absorbed unusual tooling and pre-production expenses incurred on a major defence contract.

On the other hand, Lacal's modernization program is producing significant cost savings and improvement in product quality. The backlog of orders shows an improvement as compared with the same period last year. We are looking for improved results for this subsidiary in 1969.

NI-SIL CABLE OPERATIONS

At the year end Ni-Sil emerged from the pre-production period and is now operating on a two shift basis in most areas. This facility is producing a full line of space age conductors, meeting rigid military specifications and standards. These cables are essential in the electronic and telecommunication industries where flexibility, weight, temperature and environmental conditions are critical.

Ni-Sil has earned a Qualified Products listing for many of its items from both the Canadian and U.S. defence agencies. The training of operating personnel is the remaining limiting factor in bringing this facility to full scale operation. Market conditions for Ni-Sil's products have lived up to expectations and present indications point to further expansion.

TELECOMMUNICATIONS

Our policy for many years has been to provide a service and not simply products to our customers. Historically we have viewed ourselves as suppliers of power transmitting systems but with the advent of Ni-Sil Cables we broadened our base into the field of electronics and telecommunications. We have progressed further in this direction with the incorporation of IWC Electronics & Telecommunications Ltd. This subsidiary will involve itself in the field of special telecommunications, drawing on the manufacturing capabilities of our existing operations, and in addition will provide an engineering, construction, service and financing capability in this burgeoning market. This subsidiary by way of acquisition and in association with others already involved in these areas, will provide a new competitive and comprehensive service where previously a single choice or indeed no choice existed.

As an initial step IWC Electronics & Telecommunications Ltd., has acquired a 40% interest in Noram Cable Construction Ltd. Noram is the leading firm in its field of CATV and ETV installation and service. Its operations extend across Canada and include 'turn key' contracting, system management and product sales to the CATV industry.

In addition, IWC Electronics & Telecommunications Ltd., has acquired an 85% interest in Terra Communications Ltd. which owns a CATV system in the Toronto area. The system has in excess of 2,000 subscribers at present and a potential of more than double this number. The system is being actively expanded, utilizing many of our proprietary products.

Further acquisitions and investments are under active study in this field.

OUTLOOK

The current business climate in the wire and cable industry in Canada remains uncertain. We are faced with lowered tariffs and rising material costs. At the moment of writing, Industrial is not competitive on world markets because of the cost of our three basic ingredients, copper, aluminum and plastics. Confined by our uncompetitiveness internationally, we are constrained to operate in a domestic market that is very sluggish due to the high cost and tight supply of money.

While the immediate outlook is fraught with problems, we are optimistic that the latter half of the year will see a decided improvement. Several large power utility projects are moving into active construction. Both Industrial's and Lacal's order backlog and tendering position in these areas is much improved over last year. Shipments from Ni-Sil Cables are mounting each month and we anticipate a profit contribution from this subsidiary during our current year. Further extension of our telecommunication interests will be developed aggressively and this market shows the greatest promise in terms of sales potential, as well as providing meaningful support to our existing operations.

INDUSTRIAL WIRE & CABLE CO. LIMITED AND SUBSIDIARY COMPANIES

Consolidated Statement of Earnings and Retained Earnings

	Year Ended March 31 1968	1967
NET SALES	\$22,613,395	\$20,590,166
Deduct:		
Cost of products sold and all expenses except items shown below	21,488,976	18,171,481
Depreciation	446,485	452,685
Interest on long-term liabilities	14,525	15,754
	<u>21,949,986</u>	<u>18,639,920</u>
EARNINGS BEFORE PROVISION FOR INCOME TAXES	663,409	1,950,246
PROVISION FOR INCOME TAXES (Note 5):		
Current	292,000	623,000
Deferred	67,000	142,000
	<u>359,000</u>	<u>765,000</u>
NET EARNINGS FOR THE YEAR	304,409	1,185,246
Retained earnings at beginning of year	2,123,422	938,176
RETAINED EARNINGS AT END OF YEAR	<u>\$ 2,427,831</u>	<u>\$ 2,123,422</u>

See accompanying notes to financial statements.

INDUSTRIAL WIRE & CABLE CO. LIMITED AND SUBSIDIARY COMPANIES

Consolidated Statement of Source and Application of Funds

SOURCE OF FUNDS:

	Year Ended March 31 1968	1967
Net earnings	\$ 304,409	\$ 1,185,246
Add — Expenses not requiring a current cash outlay —		
Depreciation	446,485	452,685
Deferred income taxes	67,000	142,000
Funds provided from operations	817,894	1,779,931
Proceeds from land mortgage	—	154,480
Common shares issued	15,996	43,860
Increase in customers' deposits on reels	128,374	55,193
Minority interest in subsidiary	240,000	—
Government of Canada capital assistance grants	955,138	—
	<u>2,157,402</u>	<u>2,033,464</u>

APPLICATION OF FUNDS:

Additions to fixed assets (net)	1,946,235	1,347,544
Pre-production expenses (less \$115,000 grant)	107,053	—
Reduction of long-term liabilities	403,358	315,597
	<u>2,456,646</u>	<u>1,663,141</u>
RESULTING IN A (DECREASE) INCREASE OF WORKING CAPITAL OF	<u>(299,244)</u>	<u>370,323</u>
WORKING CAPITAL AT BEGINNING OF YEAR	2,430,351	2,060,028
WORKING CAPITAL AT END OF YEAR	<u>\$ 2,131,107</u>	<u>\$ 2,430,351</u>

INDUSTRIAL WIRE & CABLE CO. LIMITED AND SUBSIDIARY COMPANIES

ASSETS

	March 31	
	1968	1967
CURRENT ASSETS:		
Accounts Receivable, less allowance for doubtful accounts	\$ 3,229,837	\$ 2,479,019
Inventories (Note 1)	5,208,694	5,033,921
Deposits and prepaid expenses	401,810	327,555
	<hr/>	<hr/>
FIXED ASSETS, at cost: (Note 2)		
Land	414,604	419,058
Buildings, machinery and equipment	8,390,809	6,447,783
	<hr/>	<hr/>
Less: Government Grant	477,569	—
	<hr/>	<hr/>
Less: Accumulated Depreciation	8,327,844	6,866,841
	<hr/>	<hr/>
OTHER ASSETS:		
Pre-production expenses (Note 3)	2,655,197	2,216,375
	<hr/>	<hr/>
	5,672,647	4,650,466

APPROVED ON BEHALF OF THE BOARD:

G. D. Zimmerman, Director

J. G. Torrance, Director

\$14,620,041

\$12,490,961

CONSOLIDATED BALANCE SHEET

LIABILITIES

CURRENT LIABILITIES:

	March 31	
	1968	1967
Bank advances (secured)	\$ 3,093,012	\$ 2,046,267
Accounts payable and accrued liabilities	3,032,620	2,533,725
Income and other taxes payable	180,244	536,992
Current installments on long-term liabilities	403,358	293,160
	<hr/> 6,709,234	<hr/> 5,410,144
CUSTOMERS' DEPOSITS ON REELS	479,454	351,080
LONG-TERM LIABILITIES (Note 4)	1,820,400	1,746,189
DEFERRED INCOME TAXES (Note 5)	630,000	563,000
MINORITY INTEREST	240,000	—
	<hr/> 9,879,088	<hr/> 8,070,413

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 6):

5% cumulative redeemable non-voting preference shares, par value \$10 each —		
Authorized — 31,946 shares		
Issued — Nil		
Common shares, no par value —		
Authorized — 4,000,000 shares		
Issued — 1,718,548 shares	2,313,122	2,297,126
RETAINED EARNINGS	2,427,831	2,123,422
	<hr/> 4,740,953	<hr/> 4,420,548
	<hr/> \$14,620,041	<hr/> \$12,490,961

See accompanying notes to financial statements.

INDUSTRIAL WIRE & CABLE CO. LIMITED AND SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements March 31, 1968

1. Inventories:

Raw materials are valued at the lower of cost or replacement cost. Finished goods and work in process are valued at the lower of cost or net realizable value.

2. Fixed Assets:

Fixed assets include machinery used in the operations of a subsidiary company amounting to \$955,138 paid for and at present owned by the Government of Canada under a contract whereby the subsidiary is required to repay, without interest, 50% of the cost over five years commencing November 1, 1968. Upon payment of the final instalment on November 1, 1972 the Government will make a grant of the remaining 50% of the cost, which has been deducted from fixed assets in the accompanying balance sheet, and at that time, title to the machinery will pass to the company.

3. Pre-production Expenses:

The net start up and pre-production expenses incurred by a subsidiary in establishing a new manufacturing facility have been deferred. These net expenses amounting to \$107,053 after deducting a government grant of \$115,000 will be amortized over a period of four years when operations reach normal proportions.

4. Long-Term Liabilities:

5¾% First Mortgage Bonds, Series A, payable \$50,000 July 1, 1968 and balance July 1, 1969	\$ 75,000
8% Land Mortgage, payable \$43,160 annually to January 2, 1970	86,320
Debentures (non-interest bearing) —	
Series A payable not less than \$200,000 annually to December 1, 1970 and balance December 1, 1971	1,000,000
Series B payable December 1, 1971, convertible into common shares of the company between December 1, 1970 and December 1, 1971 at the rate of one share for each \$1 principal amount of debentures	500,000
Purchase price of preference shares of subsidiary company (subject to adjustment) payable not later than March 31, 1974	84,869
Government of Canada capital assistance grant to a subsidiary repayable without interest in four annual instalments of \$110,198, commencing November 1, 1968 with final balance payable November 1, 1972	477,569
Deduct — Instalments due within one year included in current liabilities ..	2,223,758
	403,358
	<u>\$1,820,400</u>

In addition to the First Mortgage Bonds, Series A, \$500,000 First Mortgage Bonds, Series B, have been issued as collateral security for bank advances.

Under the provisions of the Series A and B Debentures, the Company may not pay any cash dividends while any of the Series A or B Debentures are outstanding. The company has also covenanted under the trust indenture for the First Mortgage Bonds not to pay any cash dividends, reduce its capital or make any principal payments on the Series A Debentures or the Series B Debentures, unless after making such payments current assets exceed current liabilities by at least \$1,000,000.

Notes to Consolidated Financial Statements March 31, 1968 (Continued)

5. Income Taxes:

Provision has been made for deferred income taxes resulting from claiming capital cost allowances for tax purposes in excess of the normal depreciation recorded in the accounts.

Income taxes for the year ended March 31, 1967 were reduced by approximately \$231,000 by application of losses carried forward from prior years.

6. Capital Stock:

Under the terms of the stock option plan for employees and officers of the Company, 18,600 common shares were issued for cash of \$15,996.

Of the authorized and unissued common shares, 500,000 shares are reserved for possible conversion of Series B Debentures and 55,000 shares are reserved for options granted to employees and officers at prices equal to 85% of the market value at date of grant. The options are exercisable in 1968 for 22,000 shares, in 1970 for 22,000 shares and in 1972 for 11,000 shares.

7. Remuneration of Senior Officers and Directors:

Such remuneration amounted to \$115,293 for the year ended March 31, 1968.

AUDITORS' REPORT

PRICE WATERHOUSE & Co.

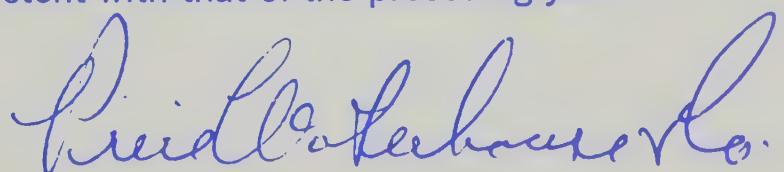
P.O. Box 51,
Toronto-Dominion Centre
TORONTO 1, Ontario.

May 27th, 1968

To the Shareholders of
INDUSTRIAL WIRE & CABLE CO. LIMITED:

We have examined the consolidated balance sheet of Industrial Wire & Cable Co. Limited and subsidiary companies as at March 31, 1968 and the consolidated statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Chartered Accountants.

INDUSTRIAL WIRE & CABLE CO. LIMITED AND SUBSIDIARY COMPANIES

Five Year Statistical Summary

(all dollars in thousands except per share statistics)

	1968	1967	1966	1965*	1964
Sales	\$22,613	20,590	17,857	11,141	7,811
Pre-tax Earnings	\$ 663	1,950	1,310	725	326
Income Taxes	\$ 359	765	566	160	—
Net Earnings	\$ 304	1,185	744	565	326
Per Common Share	\$ 0.18	0.70	0.45	0.34	0.24
Working Capital	\$ 2,131	2,430	2,060	1,912	1,685
Shareholders' Equity	\$ 4,741	4,421	3,191	2,426	1,481
Percent of Return	6.4	26.8	23.3	23.3	22.0
Per Common Share	\$ 2.76	2.60	1.91	1.47	1.07
Common Shares Issued (end of year)	1,719	1,700	1,670	1,645	1,389
Number of Shareholders	1,757	1,466	650	481	272
Number of Employees	625	594	505	458	196
Total Assets	\$14,620	12,491	10,179	9,266	5,530

*1965 was a year in which a major acquisition was undertaken. The figures for this year include operations of a newly acquired subsidiary for 3 months.

INDUSTRIAL WIRE & CABLE CO. LIMITED

Industrial Wire & Cable Co. Limited, established in 1937, produces a complete line of building wires, public utility, transmission, control and annunciator cables with aluminum and copper conductors. The 250,000 square feet of plant space and its completely up-to-date equipment, give the company capacity to produce 5,000,000 pounds of aluminum and copper cables per month. Equipment includes continuous drawing and armouring machines, high speed tubular rigid stranders and a full range of interlocking steel and aluminum armouring machines. Sales, both domestic and export, show impressive growth records.

TYPES OF PRODUCTS

Bare and Covered Conductors — Solid and stranded copper; copper covered steel, aluminum conductors (ACSR); weatherproof line wire; self-supporting service cable; service entrance cable.

Building Wires and Cables — Rubber insulated cables; thermoplastic (PVC) insulated wires and cables; non-metallic sheathed cables; flexible armoured cables; aluminum sheathed cables.

Flexible Wires and Cords — Fixture wires; portable cords.

Transportation Wires and Cables — Railway.

Control Cables — Signal and control cables.

Asbestos Insulated — Appliance wires.

Power Cables — Rubber insulated; plastic insulated; flexible armoured; polyethylene insulated.

Communication Wires and Cables — Plastic telephone cables; telephone outside and inside wires; radio and TV wires and cables.

Miscellaneous — Annunciator wires.

PLANT FACILITIES

Wire drawing; stranding and bunching; insulating and jacketing equipment; steel and aluminum armouring.

TESTING FACILITIES

Chemical, physical and electrical test equipment to comply with standards listed below; ac/dc, high voltage research and development tests; communication cables RF tests.

SPECIAL FACILITIES AND SERVICES

Design and development of underground power cables and accessories; consulting engineering services for customers.

STANDARDS

CSA; ASTM; IPCEA; BSI; VDE; IEC; MIL.

PLANT LOCATIONS

INDUSTRIAL WIRE & CABLE CO. LIMITED
Index Road
Toronto 18, Ontario, Canada

1081 Pierre Bertrand
Quebec City, Quebec, Canada

NI-SIL CABLES LIMITED

NI-SIL Cables Limited is one of the few fully integrated plants in the world manufacturing high temperature wires and cables for use in electronics, computers, space vehicles and jet age aviation. Integration is complete from copper rod to finished, sophisticated wire and cables. Products include bare nickel and silver plated wires and all types of insulation and jacketing to NASA and military specifications including TFE and FEP Teflon, Kynar, nylon, p.v.c., and polyethylene. The company's new plant, covering 50,000 square feet, is equipped with the most modern machinery.

TYPES OF PRODUCTS

Teflon Hookup Wire — Teflon extruded or tape wrapped insulation on stranded wire sizes 10 to 32 AWG to military or customer specifications.

Coaxial Cables — 50, 75 and 95 ohm cables with Teflon dielectric; also standard polyethylene cables all shielded and jacketed to MIL-C-17C or other specifications.

High Temperature Wires and Cables — Teflon insulated for aircraft, space vehicles, electronic and industrial heating cables.

Bare and Plated Conductors — Very fine solid copper; stranded copper; nickel and silver plated.

Transportation Wires and Cables — Automotive, railway and marine.

Control Cables — Signal; control.

Communication Wires and Cables — Fine switchboard cables; telephone inside wires; radio and TV wires and cables.

Miscellaneous — Annunciator and blasting wires; thermocouple lead wires.

PLANT FACILITIES

Wire drawing; nickel, silver plating lines; stranding and bunching; insulating and jacketing equipment.

SPECIAL FACILITIES AND SERVICES

New techniques for faster and more efficient nickel, silver plating; continuous research and development in a co-ordinated effort with customers to ensure improvement of existing products and development of new ones.

TESTING FACILITIES

Quality control and testing facilities for abrasion, thickness, concentricity, tensile, ac/dc dielectric, corona, microscopic, chemical and others to meet military and customer specifications.

STANDARDS

MIL-W-16878, C-7078, C-27500, C-17, W-22759, C-13777, T-22241, W-5086, W-76, Std-129, C-915, I-22129, W-7139, T-5439, Q-9858 and L-45208; Canada DND 1015 and 1016.

PLANT LOCATION

NI-SIL CABLES LIMITED
170 North Queen Street
Toronto 18, Ontario, Canada

LACAL INDUSTRIES LIMITED

Lacal Industries Limited produces a complete line of Power Distribution and Transmission Hardware.

Our manufacturing facilities in Newmarket include over 80,000 sq. ft. of manufacturing area of which 20,000 sq. ft. are used by the Foundry Division.

The Lachine Forging Division includes approximately 50,000 sq. ft. of manufacturing area. Some of the equipment available to us include four drop hammers with capacities ranging between 1500 and 6000 pounds and extensive tool and die manufacturing facilities.

TYPES OF PRODUCTS

Power Distribution Hardware

Power Transmission Hardware

Communication Hardware

Underground Equipment

Sectional Steel Poles

Sub-Station Structures

Custom Forging

Custom Non-Ferrous Casting (including permanent mould of various aluminum alloys)

MANUFACTURING

All Lacal products are produced from purchased raw materials of known chemical analysis and mechanical strengths. Products produced from steel or malleable iron are protected from corrosion by the Hot Dip Galvanizing process.

Inspection services are maintained to ensure quality of both incoming materials and finished products.

JOINT SALES OFFICES

Vancouver, B.C. Edmonton, Alta. Winnipeg, Man. Toronto, Ont. Newmarket, Ont.
Montreal, Que. Quebec, Que. Stellarton, N.S.

TEST FACILITIES

Physical test equipment is maintained for the testing and proving of all new or existing products.

ENGINEERING SERVICE

A competent Engineering Department is maintained to develop new product lines as required by an ever changing industry. Lacal is prominent in the development design and fabrication of the specialized hardware required to meet the mechanical and electrical specification requirements necessary for E.H.V. construction. The staff, experienced in the transmission and distribution of electrical energy is willing and ready to assist in the solution of specific problems.

STANDARDS

CSA; ASTM; NEMA; IEC

PLANT LOCATIONS

Lacal Industries Limited,
56 Charles Street, Newmarket, Ontario
65 St. Joseph Street,
Lachine, Montreal, P.Q.



INDUSTRIAL WIRE & CABLE CO. LIMITED